

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

--	--	--	--	--	--	--	--	--	--

# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2018/2019 SESSION

**BAC1634 – FINANCIAL ACCOUNTING & REPORTING 1**

(All sections / Groups)

27<sup>th</sup> OCTOBER 2018

9.00 A.M. – 12 P.M.

(3 Hours)

---

### INSTRUCTION TO STUDENT

1. This Question paper consists of 5 pages excluding cover page with 4 Questions only.
2. Attempt **ALL FOUR** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

**QUESTION 1**

a) Discuss the benefits to have a conceptual framework in accounting. (4 marks)

b) Discuss the following qualitative characteristics of accounting information:

- Relevance and reliability.
- Comparability and consistency.

(8 marks)

c) Discuss the importance of going concern and prudence concept to the preparers when they prepare the financial statement at the end of accounting period. (6 marks)

d) Explain when an asset should be recognised in the statement financial position. (2 marks)

**(Total: 20 Marks)****QUESTION 2**

The Cyber View Club has been operating the business for number of years. The treasurer of the Club has prepared the following receipts and payments account for the year ended 31 December 2017.

<b>Receipts</b>	<b>RM</b>	<b>Payments</b>	<b>RM</b>
Cafeteria revenue	420,000	Cafeteria expenses	42,000
Subscriptions 2017	245,000	Cafeteria purchases	262,500
Subscriptions 2018	26,600	Rent and rates	105,000
Donations	45,500	Secretarial expenses	16,800
Exhibition tickets	57,400	Interest on loan	18,200
Loan from bank	385,000	Equipment	140,000
		Extension to club recreational building	560,000

## Additional information

- The assets of Cyber View Club as on 1 January 2017 was cash at bank RM14,000, cafeteria inventory RM56,000 and Club recreational building RM875,000.
- The depreciation for equipment is at 20 percent per year using the straight line method.
- The cafeteria inventory on 31 December 2017 was RM63,000.

**Continued...**

**Required:**

- a. Prepare a Cafeteria statement of profit or loss account for the year ended 31 December 2017. (5 marks)
- b. Prepare an income and expenditure account for the year ending 31 December 2017. (8 marks)
- c. Prepare a statement of financial position as at 31 December 2017. (12 marks)

**(Total: 25 Marks)**

**QUESTION 3****PART A**

On 1 February 2017, Lazurite Bhd sells a machine to Violane Finance Bhd for RM510,000 and immediately leases the machine back. The carrying value of the machine was RM450,000. The term of the non-cancellable lease is 10 years and the title will be transferred to Lazurite Bhd. The lease agreement requires equal rental payments of RM83,000 at the end of each year. The incremental borrowing rate for Lazurite Bhd is 12%. The company is aware that Violane Finance Bhd set the annual rental to ensure a rate of return of 10. The machine has a fair value of RM510,000 on 1 January 2017 and an estimated useful life of 10 years. Lazurite Bhd pays executory costs of RM9,000 per year. The lease arrangement is finance lease.

**Required:**

- a. Prepare the journal entries for Lazurite Bhd for the year ended 31 December 2017. (12 marks)
- b. Prepare the journal entries for Violane Finance Bhd for the year ended 31 December 2017. (7 marks)

**Continued...**

**PART B**

On 1 June 2016, Agate Bhd was formed to operate a business in Cyberjaya. On that date Agate Bhd has issued a total of 800,000 ordinary shares. Two years later, on 1 April 2018, the company issued an additional 600,000 shares for cash. All 1,400,000 shares were outstanding on 31 December 2018.

Agate Bhd also issued RM600,000 of 20-year, 8% convertible bonds on 1 July 2016. Each RM1,000 bond converts to 40 ordinary shares. None of the bonds have been converted to date. The interest expense on the liability component of convertible bonds for 2018 was RM30,000.

The annual report for the fiscal year ending 31 December 2016 shows that the after-tax net profit is RM1,540,000. The tax rate is 40%. Agate Bhd prepares its annual report at 31 December every year.

**Required:**

- a. Compute the number of ordinary shares to be used for calculating for 2016:
  - i. Basic earnings per share. (2 marks)
  - ii. Diluted earnings per share. (3 marks)
  
- b. Compute the earnings figures to be used for calculating for 2016:
  - i. Basic earnings per share. (1 marks)
  - ii. Diluted earnings per share. (3 marks)
  
- c. Compute the basic earnings per share for 2016. (1 marks)
  
- d. Compute diluted earnings per share for 2016. (1 marks)

**(Total: 30 Marks)**

**Continued...**

**QUESTION 4****PART A**

a) Rosnica Bhd is preparing its financial statements for the year ended 30 September 2017. The following matters are all outstanding at the year end.

- i. Rosnica Bhd's sales director, who was dismissed on 15 September 2017, has lodged a claim for RM460,000 for unfair dismissal. Rosnica Bhd's legal advisors believe that there is no case to answer and therefore think it is unlikely that this claim will succeed.
- ii. Rosnica Bhd is facing litigation for damages from a customer for the supply of faulty goods on 1 September 2017. The claim which is for RM800,000 was received on 15 October 2017. Rosnica Bhd's legal advisors consider that Rosnica Bhd is liable and that it is likely that this claim will succeed. On 25 October 2017, the company sent a counter-claim to its supplier for RM650,000. Rosnica Bhd's legal advisors are unsure whether or not this claim will succeed.
- iii. On 15 September 2014, Rosnica Bhd announced in the press that it is to close one of its divisions in January 2015. A detailed closure plan is in place and the costs of closure are reliably estimated at RM650,000 including RM85,000 for staff relocation.

**Required:**

For each of the above situation, discuss whether Rosnica Bhd has to make a provision in accordance to the MFRS 137: Provisions, contingent liabilities and contingent assets.

(9 marks)

b) Explain with example the difference between legal obligation and constructive obligation in accordance to the MFRS 137: Provisions, contingent liabilities and contingent assets.

(3 marks)

**Continued...**

**PART B**

Chrystal Bhd has two motor vehicles and a machine used to generate a revenue for the business. During the year ended 31 December 2018, the following transactions took place.

- i. On 10 April 2018, motor vehicle A met with an accident and had to be written-off. Motor vehicle A was purchased on 1 July 2015 for RM195,000. The company received a cheque from the insurance company as compensation. The profit on disposal of this asset was calculated at RM3,000.
- ii. On 1 May 2018, the company traded-in the old machinery for a new machinery imported from Japan costing RM255,000. The old machine was purchased on 30 November 2013 for RM270,000. The import duty and installation charges incurred upon acquisition of the new machinery was RM45,000 and RM15,000 respectively. The trade-in value of the old machinery was RM30,000 and the balance was settled by cheque.
- iii. On 25 October 2018, motor vehicle B was traded-in for a new motor vehicle C. Motor vehicle B was purchased on 10 October 2016 for RM135,000. The cost of the new vehicle was RM288,000 whilst the fair market value of the old motor vehicle was RM60,000. Chrystal Bhd paid 25% of the cost of the asset as a deposit and the balance to be paid by instalments over the period of four years.

It is the business policy to depreciate the assets as follows:

- a) Motor vehicles at 10% per annum on reducing balance method on yearly basis. A full year depreciation is charged in the year of purchase and none in the year of disposal.
- b) Machinery at 20% per annum on cost on monthly basis.

**Required:**

- i. Prepare the following accounts for the year ended 31 December 2018:
  - a) Motor vehicle and machinery accounts. (4.5 marks)
  - b) Disposal of motor vehicle and machinery accounts. (6.5 marks)
- ii. Prepare a statement of financial position extract as at 31 December 2018. (2 marks)  
**(Total: 25 Marks)**

**End of Page**

